



Housing Authority of the City of Alameda

701 Atlantic Avenue - Alameda, California 94501-2161 - Tel: (510) 747-4300 - Fax: (510) 522-7848 - TDD: (510) 522-8467

To: Honorable Chair and
Members of the Board of Commissioners

From: John A. Russo
Chief Executive Officer

Date: September 6, 2011

Re: Approve the Housing Commission's Recommendation that the Board of Commissioners Authorize (a) the Formation of a Limited Liability Company (LLC), and (b) Approve the LLC's Role as an Additional General Partner in The Alameda Islander L.P. for the Acquisition and Renovation of the Islander Motel as Permanent Affordable Housing, and Authorize the Chief Executive Officer to (a) Execute all Documents Required for the Formation of the Housing Authority's LLC Affiliate, (b) Negotiate and Execute the Partnership Agreement between the Housing Authority's Newly Formed LLC, RCD Housing LLC, and 112 Alves Lane, Inc., and the Option Agreement between the Housing Authority and The Alameda Islander L.P., and (c) Negotiate and Execute the Further Amended Partnership Agreement and all Related Documents Necessary to Admit the Investor Limited Partner(s).

BACKGROUND

On March 2, 2011, the Housing Authority Board of Commissioners (BOC) and Community Improvement Commission of the City of Alameda (CIC) approved an Owner Participation Agreement (OPA) with Resources for Community Development (RCD), a non-profit affordable housing developer, for the acquisition and rehabilitation of the property at 2428 Central Avenue (Islander Motel) for permanent affordable housing.

To meet the requirements of outside funding sources, RCD has created The Alameda Islander, L.P. (Partnership) to develop the affordable housing project. The Housing Authority plans to partially assign its interest in the purchase and sale agreement for acquisition of the property to the Partnership to facilitate the ownership of the property by the Partnership. On July 5, 2011, the BOC approved a form of a Partnership Agreement between the Housing Authority, RCD Housing LLC, and 112 Alves Lane, Inc. (Partnership Agreement) and authorized the Chief Executive Officer to execute the Partnership Agreement.

The OPA and Partnership Agreement permit the Housing Authority to form an affiliate entity to enter into the Partnership Agreement. The OPA and the Partnership



Agreement provide that the Housing Authority, or its affiliate, would be a special limited partner. Further analysis has determined that the Housing Authority's goals to acquire experience points for tax credit funding and participate in certain major decisions for the project, such as property management and operating reserves, will be better served if it is an additional general partner. It is recommended that the BOC approve formation of a Limited Liability Company (LLC) and approve the LLC's participation in The Alameda Islander L.P. as an additional general partner.

DISCUSSION

Since the March 2, 2011, approval of the OPA and resolution to issue CIC Affordable Housing Fund bonds to finance the project, RCD and the Housing Authority have made substantial progress on the project. On June 21, 2011, the California Tax Credit Allocation Committee (TCAC) approved an award of tax credits for the Islander project that will provide over \$7.6 million in outside funds.

As the primary source of outside project funding, the award of tax credits sets the requirements of the deal structure. For example, the private equity raised requires the formation of a partnership to implement the project where the tax credit investors are limited partners and the developers are the general partner(s). For tax credit purposes, the Partnership, The Alameda Islander L.P., has been formed to acquire and rehabilitate the project and to own the improvements. The OPA anticipates that the Housing Authority, or its affiliate, will become a special limited partner. Therefore, on July 5, 2011, the BOC approved a form of the Partnership Agreement to include the Housing Authority or its affiliate as a special limited partner and authorized the Chief Executive Officer to execute the Agreement. Since that time, staff has worked with specialized legal counsel to decide the appropriate affiliate entity to form and determine if a special limited partner role will achieve the Housing Authority's goals.

The Housing Authority would like to accomplish several goals as part of the Islander Motel project. In consideration of the substantial investment by the CIC, the Housing Authority has negotiated the right to assume ownership of the project during the last three years of the tax credit "compliance period", the 15-year time period during which tax credits are earned. The Housing Authority would also like to gain experience in tax credit projects and to garner the resultant experience points in order to become competitive in applying directly for tax credit financing. In addition, the Housing Authority would like to participate in certain major operating decisions such as those regarding operating reserves, major capital expenditures, and selecting property management companies. The details of this participation would be negotiated as part of finalizing the Partnership Agreement.



Formation of a LLC

It is recommended that the Housing Authority form a single member LLC to become a partner in The Alameda Islander L.P. The primary purpose of forming a LLC is to protect the Housing Authority from general liability to any third parties in connection with activities undertaken by the Partnership. Maintaining a separate corporate identity is critical to protect the Housing Authority from incurring liability. Formation documents include an Operating Agreement and Articles of Organization (Exhibit 1). A single member LLC in which the Housing Authority is the sole member would be controlled by the Housing Authority and would require the BOC to take action on behalf of the LLC for major decisions. Day-to-day decisions would be delegated to the Chief Executive Officer who would serve as manager of the LLC. Formation of an LLC is common way Housing Authorities participate in tax credit limited partnerships, and such single member LLCs are typically formed on a project-by-project basis.

Additional General Partner

The form of Partnership Agreement approved on July 5, 2011, anticipated that the Housing Authority or its affiliate would be a special limited partner. However, that role would not allow the Housing Authority to achieve one of its primary goals of acquiring experience points to directly apply for and be competitive for TCAC funding. As an additional general partner, the Housing Authority LLC would be expected to build experience points, gain development skill, and if necessary, have the ability step in quickly and resolve financial and management issues.

As an additional general partner, the Housing Authority LLC would technically have joint and several liability for the obligations of the partnership. The level of liability is limited to the LLC, and will not pass through to the members of the LLC even if the LLC has a sole member (e.g., the Housing Authority), and in most cases, can be limited to the LLC's interest in the Partnership. This will protect the Housing Authority and its assets. There will be some form of liability, even if it is limited in scope and restricted to the LLC. Assumption of liability is the main difference between a general and limited partner. Staff believes that a limited amount of liability, restricted to the affiliate LLC, does not put the Housing Authority, or its assets, at risk for third party claims and is necessary to achieve its other long-term affordable housing development goals.

The Housing Commission and staff are requesting that the BOC approve formation of an LLC, and approve the LLC's participation in The Alameda Islander L.P. as an additional general partner. Formal approval of the change in status from a special limited partner to an additional general partner is requested due to the requirement that an additional general partner assume liability for the obligations of the Partnership, even if that liability is substantially reduced through the formation of a LLC.

If the BOC approves formation of a single member LLC and participation of the LLC in The Alameda Islander L.P. as an additional general partner, the form of Partnership



Agreement approved on July 5, 2011, will be revised to reflect formation of the affiliate and the change in status from a special limited partner to an additional general partner. The Partnership Agreement will be further amended when the tax credits are sold and one or more private investors are added as a limited partner(s). Therefore, it is requested that the Chief Executive Officer be authorized (1) to execute all documents required for the formation of the Housing Authority's LLC affiliate, (2) to execute the Partnership Agreement between the Housing Authority's newly formed LLC, RCD Housing LLC, and 112 Alves Lane, Inc., as revised to incorporate the Housing Authority's LLC as an additional general partner, and (3) to negotiate and execute the further amended Partnership Agreement and all related documents necessary to admit the investor limited partner(s), including but not limited to the final Housing Authority's option agreement to acquire the project.

FINANCIAL IMPACT

The newly formed LLC will have to pay the State of California an annual minimum franchise tax of \$800 and a fee based on its annual total income. There will be minimal LLC formation costs for activities such as printing separate stationary, legal fees associated with filing the articles of organization, etc. These costs are budgeted as part of the CIC's Business and Waterfront Improvement Project (BWIP) affordable housing fund (204).

ENVIRONMENTAL REVIEW

Environmental review for this project has been concluded and the Notice of Exemption was filed with the County Recorder's Office on March 22, 2011.


RECOMMENDATION

Approve the Housing Commission's recommendation that the Board of Commissioners authorize (a) the formation of a Limited Liability Company (LLC), and (b) approve the LLC's role as an additional general partner in The Alameda Islander L.P. for the acquisition and renovation of the Islander Motel as permanent affordable housing, and authorize the Chief Executive Officer to (a) execute all documents required for the formation of the Housing Authority's LLC affiliate, (b) negotiate and execute the Partnership Agreement between the Housing Authority's newly formed LLC, RCD Housing LLC, and 112 Alves Lane, Inc., and the option agreement between the Housing Authority and The Alameda Islander L.P., and (c) negotiate and execute the further amended Partnership Agreement and all related documents necessary to admit the investor limited partner(s).



Respectfully submitted,

Mike Pucci

Michael T. Pucci 
Executive Director

By: *Debbie Potter*


Debbie Potter 
Housing Development and Programs Manager

Exhibit:

1. LLC Formation Documents





LIMITED LIABILITY COMPANIES

California Tax Information

Registration of a limited liability company (LLC) with the California Secretary of State (SOS) will obligate an LLC that is not taxed as a corporation to pay to the Franchise Tax Board (FTB) an annual minimum tax of \$800.00 and a fee based on the annual total income of the entity. The tax and fee are required to be paid for the taxable year of registration and each taxable year, or part thereof, until a Certificate of Cancellation is filed with the SOS. (California Revenue and Taxation Code sections 17941 and 17942.) An LLC is not subject to the taxes and fees imposed by Revenue and Taxation Code sections 17941 and 17942 if the LLC did no business in California during the taxable year and the taxable year was 15 days or less. (California Revenue and Taxation Code section 17946.)

An LLC that is taxed as a corporation generally determines its California income under the Corporation Tax Law commencing with California Revenue and Taxation Code section 23001.

PLEASE NOTE: A domestic nonprofit LLC is a taxable entity and subject to the tax requirements stated above unless the LLC has applied for tax-exempt status and the FTB determines the LLC qualifies for tax-exempt status. Therefore, until such a determination is made, a nonprofit LLC must file a return and pay the associated tax (and, if applicable, the fee) every year until the LLC is formally cancelled. If the LLC intends to seek tax exempt status:

- At the time of filing its Articles of Organization with the SOS, the LLC must include, in an attachment to that document, additional statements as required by the law under which the LLC is seeking exemption. Please refer to the FTB's Exemption Application Booklet (FTB 3500 Booklet) for information regarding the required statements and for suggested language.
- After filing its Articles of Organization with the SOS, the LLC may apply for tax-exempt status by mailing an Exemption Application (Form FTB 3500), along with an endorsed copy of the Articles of Organization and all other required supporting documentation, to the FTB, P.O. Box 942857, Sacramento, California 94257-4041.
- The FTB 3500 Booklet and Form FTB 3500 can be accessed from the FTB's website at www.ftb.ca.gov or can be requested by calling the FTB at 1-800-338-0505. For further information regarding franchise tax exemption, refer to the FTB's website or call the FTB at (916) 845-4171.

For further information regarding franchise tax requirements, please contact the FTB at:

From within the United States (toll free)	(800) 852-5711
From outside the United States (not toll free)	(916) 845-6500
Automated Service - From within the United States (toll free)	(800) 338-0505
Automated Service - From outside the United States (not toll free)	(916) 845-6600

Professional Services Information

A domestic or foreign LLC may not render professional services. (Corp. Code § 17375.) "Professional services" are defined in California Corporations Code sections 13401(a) and 13401.3 as:

Any type of professional services that may be lawfully rendered only pursuant to a license, certification, or registration authorized by the Business and Professions Code, the Chiropractic Act, the Osteopathic Act or the Yacht and Ship Brokers Act.

If your business is required to be licensed, registered or certified, it is recommended that you contact the appropriate licensing authority before filing with the SOS's office in order to determine whether your services are considered professional.

Instructions for Completing the Articles of Organization (Form LLC-1)

Where to File: For easier completion, this form is available on the Secretary of State's website at www.sos.ca.gov/business/be/forms.htm and can be viewed, filled in and printed from your computer. The completed form along with the applicable fees can be mailed to Secretary of State, Document Filing Support Unit, P.O. Box 944228, Sacramento, CA 94244-2280 or delivered in person (drop off) to the Sacramento office, 1500 11th Street, 3rd Floor, Sacramento, CA 95814. If you are not completing this form online, please type or legibly print in black or blue ink. This form is filed only in the Sacramento office.

Legal Authority: Statutory filing requirements are found in California Corporations Code sections 17051 and 17052. All statutory references are to the California Corporations Code, unless otherwise stated.

Fees: The fee for filing Form LLC-1 is \$70.00. A \$15.00 special handling fee is applicable for processing documents delivered in person (drop off) to the Sacramento office. The special handling fee is in addition to the filing fee, should be included in a separate check, and will be retained whether the document is filed or rejected. The preclearance and/or expedited filing of a document *within a guaranteed time frame* can be requested for an additional fee in lieu of the special handling fee. Please refer to the Secretary of State's website at www.sos.ca.gov/business/be/service-options.htm for detailed information regarding preclearance and expedited filing services. The special handling fee or preclearance and expedited filings services are not applicable to documents submitted by mail. Check(s) should be made payable to the Secretary of State.

Copies: The Secretary of State will certify two copies of the filed document without charge, provided that the complete copies with any attachments are submitted to the Secretary of State with the document to be filed. Any additional copies submitted will be certified with payment of \$8.00 per copy.

Professional Services: Pursuant to Section 17375, a California limited liability company may not render professional services, as defined in Sections 13401(a) and 13401.3. Professional services are defined as any type of professional services that may be lawfully rendered only pursuant to a license, certification, or registration authorized by the California Business and Professions Code, the Chiropractic Act, the Osteopathic Act or the Yacht and Ship Brokers Act. If your business is required to be licensed, certified or registered, it is recommended that you contact the appropriate licensing authority before filing with the Secretary of State's office in order to determine whether your services are considered professional. For licensing requirements in the state of California, please refer to the CalGold website at www.calgold.ca.gov or the California Department of Consumer Affairs website at www.dca.ca.gov.

Minimum Tax Requirement: Filing this document shall obligate most limited liability companies to pay an annual minimum tax of \$800.00 to the Franchise Tax Board pursuant to California Revenue and Taxation Code section 17941.

Complete the Articles of Organization (Form LLC-1) as follows:

Item 1. Enter the name of the limited liability company. The name must end with the words "Limited Liability Company," or the abbreviations "LLC" or "L.L.C." The words "Limited" and "Company" may be abbreviated to "Ltd." and "Co.," respectively. The name of the limited liability company may not contain the words "bank," "trust," "trustee," "incorporated," "inc.," "corporation," or "corp.," and must not contain the words "insurer" or "insurance company" or any other words suggesting that it is in the business of issuing policies of insurance and assuming insurance risks.

Note: Name restrictions apply to most business entities. Please refer to our Name Availability webpage at www.sos.ca.gov/business/be/name-availability.htm for business entity name regulations and the most common statutory requirements and restrictions relating to the adoption of a business entity name in California.

Item 2. This statement is required by statute and should not be altered. Provisions limiting or restricting the business of the limited liability company may be included as an attachment.

Items 3 & 4. Enter the name of the agent for service of process in California. An agent is an individual, whether or not affiliated with the limited liability company, who resides in California or a corporation designated to accept service of process if the company is sued. The agent should agree to accept service of process on behalf of the limited liability company prior to designation.

If a corporation is designated as agent, that corporation must have previously filed with the Secretary of State, a certificate pursuant to Corporations Code section 1505. Note, **a limited liability company cannot act as its own agent** and no domestic or foreign corporation may file pursuant to Section 1505 unless the corporation is currently authorized to engage in business in California and is in good standing on the records of the Secretary of State.

If an individual is designated as agent, complete Items 3 and 4. If a corporation is designated as agent, complete Item 3 and proceed to Item 5 (do not complete Item 4).

- Item 5.** Check the appropriate provision indicating whether the limited liability company is to be managed by one manager, more than one manager or all limited liability company members. Only one box may be checked.
- Item 6.** Attach any other information to be included in Form LLC-1, provided that the information is not inconsistent with law.
- Item 7.** Form LLC-1 must be signed by the organizer. The person signing Form LLC-1 need not be a member or manager of the limited liability company.
- If Form LLC-1 is signed by an attorney-in-fact, the signature should be followed by the words "Attorney-in-fact for (name of person)."
 - If Form LLC-1 is signed by an entity, the person who signs on behalf of the entity should note their name and position/title and the entity name. Example: If a limited liability company ("Smith LLC") is the organizer, the signature of the person signing on behalf of the Smith LLC should be reflected as Joe Smith, Manager of Smith LLC, Organizer.
 - If Form LLC-1 is signed by a trust, the trustee should sign as follows: _____, trustee for _____ trust (including the date of the trust, if applicable). Example: Mary Todd, trustee of the Lincoln Family Trust (U/T 5-1-94).

Any attachments to Form LLC-1 are incorporated by reference and made part of Form LLC-1. All attachments should be 8 1/2" x 11", one-sided and legible.

Note: A Statement of Information (Form LLC-12) is required to be filed with the Secretary of State **within 90 days after filing Form LLC-1 and biennially thereafter** during the applicable filing period. The applicable filing period is the calendar month during which the initial Form LLC-1 was filed and the immediately preceding five calendar months. (California Corporations Code section 17060.) Form LLC-12 is available on the Secretary of State's website at www.sos.ca.gov/business/be/statements.htm and can be viewed, filled in and printed from your computer for mail or drop off submission.



State of California
Secretary of State

LLC-1

File # _____

Limited Liability Company
Articles of Organization

A \$70.00 filing fee must accompany this form.

Important – Read instructions before completing this form.

This Space For Filing Use Only

Entity Name (End the name with the words "Limited Liability Company," or the abbreviations "LLC" or "L.L.C." The words "Limited" and "Company" may be abbreviated to "Ltd." and "Co.," respectively.)

1. NAME OF LIMITED LIABILITY COMPANY

AHA Islander GP, LLC

Purpose (The following statement is required by statute and should not be altered.)

2. THE PURPOSE OF THE LIMITED LIABILITY COMPANY IS TO ENGAGE IN ANY LAWFUL ACT OR ACTIVITY FOR WHICH A LIMITED LIABILITY COMPANY MAY BE ORGANIZED UNDER THE BEVERLY-KILLEA LIMITED LIABILITY COMPANY ACT.

Initial Agent for Service of Process (If the agent is an individual, the agent must reside in California and both Items 3 and 4 must be completed. If the agent is a corporation, the agent must have on file with the California Secretary of State a certificate pursuant to California Corporations Code section 1505 and Item 3 must be completed (leave Item 4 blank).)

3. NAME OF INITIAL AGENT FOR SERVICE OF PROCESS

Michael Pucci

4. IF AN INDIVIDUAL, ADDRESS OF INITIAL AGENT FOR SERVICE OF PROCESS IN CALIFORNIA CITY

STATE

ZIP CODE

701 Atlantic Avenue

Alameda CA 94501

Management (Check only one)

5. THE LIMITED LIABILITY COMPANY WILL BE MANAGED BY:



ONE MANAGER



MORE THAN ONE MANAGER



ALL LIMITED LIABILITY COMPANY MEMBER(S)

Additional Information

6. ADDITIONAL INFORMATION SET FORTH ON THE ATTACHED PAGES, IF ANY, IS INCORPORATED HEREIN BY THIS REFERENCE AND MADE A PART OF THIS CERTIFICATE.

Execution

7. I DECLARE I AM THE PERSON WHO EXECUTED THIS INSTRUMENT, WHICH EXECUTION IS MY ACT AND DEED.

DATE

SIGNATURE OF ORGANIZER

John T. Haygood, Attorney-In-Fact

TYPE OR PRINT NAME OF ORGANIZER

**OPERATING AGREEMENT for
AHA ISLANDER GP, LLC**

This Operating Agreement is made as of _____, 2011, by the Housing Authority of the City of Alameda, a public body, corporate and politic (referred to as the Sole Member) with reference to the following facts:

A. The Sole Member desires to form a limited liability company (Company) under the Beverly-Killea Limited Liability Company Act (the Act) (California Corporations Code sections 17100-17655).

B. The Sole Member desires to execute this Operating Agreement in order to form and provide for the governance of the Company and the conduct of its business.

NOW, THEREFORE, the Sole Member hereby declares the following to be the Operating Agreement of the Company:

ARTICLE I. ARTICLES OF ORGANIZATION

1.1 On or about the time of execution of this Agreement, the Articles of Organization, in the form attached to this Agreement as Exhibit A, shall have been filed with the California Secretary of State.

1.2 The name of the Company shall be AHA Islander GP, LLC, a California limited liability company.

1.3 The principal executive office of the Company shall be at 701 Atlantic Avenue, Alameda, California 94501, or such other place or places as may be determined by the Sole Member from time to time.

1.4 The initial agent for service of process on the Company shall be Michael Pucci. The Sole Member may from time to time change the Company's agent for service of process.

1.5 The Company is formed for the purposes of providing affordable housing for low income persons and to serve as a general partner in a limited partnership which owns and operates housing for the benefit of low income persons who are in need of affordable, decent, safe and sanitary housing and related services.

1.6 The term of existence of the Company shall commence on the effective date of filing of Articles of Organization with the California Secretary of State and shall continue until terminated by the provisions of this Agreement or as provided by law.

1.7 The manager of the Company shall be Michael Pucci, Executive Director of the Sole Member.

ARTICLE II. CAPITALIZATION

2.1 The Sole Member shall contribute to the capital of the Company the money and property specified in Exhibit B to this Agreement. The Sole Member may from time to time and at any time contribute cash or property to the Company as the Sole Member may determine.

2.2 The Sole Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement. The failure by the Company to observe any formalities or requirements relating to the exercise of its power or the management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Sole Member.

ARTICLE III. ALLOCATIONS AND DISTRIBUTIONS

3.1 If any membership interest, or part thereof, is assigned during any fiscal year in compliance with the provisions of this Article III, profits, losses, each item thereof, and all other items attributable to such membership interest for such fiscal year shall be divided and allocated between the transferor and the transferee by taking into account their varying membership interests during the period in accordance with Internal Revenue Code section 706(d), using any convention permitted by law selected by the Sole Member. All distributions on or before the date of such assignment shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making such allocations and distributions, the Company shall recognize such assignment not later than the end of the calendar month during which the assignment occurs. Neither the Company nor the Sole Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 3.1.

3.2 All cash resulting from the operations of the Company shall be distributed to the Sole Member at such times as the Sole Member deems appropriate.

ARTICLE IV. MANAGEMENT

4.1 The business of the Company shall be managed by the Manager named in Section 1.7 or successor Manager selected in the manner provided Section 4.2. Except as otherwise set forth in this Agreement, all decisions concerning the management of the Company's business shall be made by the Manager.

4.2 The Manager named in Section 1.7 shall serve until the earlier of (a) the Manager's resignation, retirement, death or disability; or (b) the Manager's removal or replacement by the Member. The Manager may be removed or replaced with or without cause at any time by the Member. Each successor Manager shall be appointed by the Member.

4.3 All assets of the Company, whether real or personal, shall be held in the name of the Company.

4.4 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at such locations as shall be

determined by the Manager. Withdrawal from such accounts shall require the signature of such person or persons as the Sole Member may designate.

4.5 Any contract, agreement or other document to be entered into by the Company shall be executed by the Manager or the Member.

4.6 The Manager shall not take any of the following actions on behalf of the Company unless the Member has consented to the taking of such action:

- (a) Any amendment to the Articles of Organization;
- (b) Any act that would make it impossible to carry out the ordinary business of the Company;
- (c) Any confession of a judgment against the Company;
- (d) The dissolution of the Company;
- (e) The disposition of all or a substantial part of the Company's assets not in the ordinary course of business;
- (f) The incurring of any debt not in the ordinary course of business;
- (g) A change in the nature of the principal business of the Company, including, but not limited to, a material change in the Project's affordability levels, tenant selection criteria, resident hiring policies or public housing requirements;
- (h) The incurring of any contractual obligation or the making of any capital expenditure, other than entering into the Partnership or in the ordinary course of business;
- (i) The filing of a petition in bankruptcy or the entering into of an arrangement among creditors; and
- (j) The entering into, on behalf of the Company, of any transaction constituting a "merger" within the meaning of California Corporations Code Section 17550, et. seq.

ARTICLE V. ACCOUNTS AND RECORDS

5.1 Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office.

5.2 Financial books and records of the Company shall be kept on the accrual method of accounting. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

5.3 At all times during the term of existence of the Company, and beyond that term if the Manager deems it necessary, the Manager shall keep or cause to be kept the books of account referred to in Section 5.2, and the following:

- (a) The full name and last known business or residence address of the Sole Member, together with the capital contribution and the share in profits and losses of the Sole Member;
- (b) A copy of the Articles of Organization, as amended;
- (c) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;
- (d) Executed counterparts of this Agreement, as amended;
- (e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed;
- (f) Financial statements of the Company for the six most recent fiscal years; and
- (g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

ARTICLE VI. RESTRICTIONS ON TRANSFER OF MEMBERSHIP INTEREST

6.1 The Sole Member may sell, hypothecate, pledge, assign or otherwise voluntarily transfer any part or all of its membership interest or membership rights in the Company to any other person subject to the restrictions in any agreement signed by the Company or the Sole Member. In the event the Sole Member transfers its entire membership interest, the transferee shall become a member without any further action, unless the Sole Member and the transferee agree otherwise.

ARTICLE VII. DISSOLUTION AND WINDING UP

7.1 The Company shall be dissolved on the first to occur of the following events:

- (a) The decision of the Sole Member to dissolve the Company.
- (b) The sale or other disposition of substantially all of the Company's assets.
- (c) Entry of a decree of judicial dissolution under California Corporations Code section 17351.

7.2 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Manager shall wind up the affairs of the Company and give written notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose

addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to the Sole Member), the remaining assets of the Company shall be distributed or applied in the following order of priority:

- (a) To pay the expenses of liquidation.
- (b) To repay outstanding loans to the Sole Member.
- (c) To the Sole Member.

ARTICLE VIII. GENERAL PROVISIONS

8.1 This Agreement constitutes the whole and entire agreement with respect to the subject matter of this Agreement.

8.2 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

8.3 The article, section, and paragraph titles and headings in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

8.4 This Agreement may be altered, amended, or repealed only by a writing signed by the Sole Member.

8.5 Time is of the essence of every provision of this Agreement that specifies a time for performance.

8.6 This Agreement is made solely for the benefit of the Sole Member and the Sole Member's permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

8.7 The Sole Member intends the Company to be a limited liability company under the Act.

IN WITNESS WHEREOF, the Sole Member has executed or caused to be executed this Agreement on the day and year first above written.

SOLE MEMBER:

Housing Authority of the City of Alameda,
a public body, corporate and politic

By: _____

Name: _____

Its: _____

EXHIBIT A

Articles of Organization

EXHIBIT B

ARTICLE IX.MEMBER'S CAPITAL CONTRIBUTION

Member Name	Capital Contribution	Membership Interest	Percentage Ownership
Housing Authority of the City of Alameda	\$100.00	100%	100%

OPERATING AGREEMENT

Of

AHA ISLANDER GP, LLC

_____, 2011